

MONTHLY REVENUE REPORT

April 2003

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.7 billion in revenue in April 2003, which was down 5.5% from year-ago collections. This marked the steepest monthly decline in revenues so far this fiscal year. While most of the decline was due to weak income tax annual payments and use tax collections, many of the other major taxes also experienced declines in April. On a fiscal year-to-date basis, the revenue from these major taxes is down 0.6%.

Based on actual tax collections through April and the revised economic forecast for the remainder of FY 2002-03, the Senate Fiscal Agency has lowered the FY 2002-03 revenue estimates for these major taxes by \$102 million. These revised revenue estimates reduce General Fund revenue an estimated \$25 million and School Aid Fund revenue \$77 million.

Net income tax revenue totaled \$516 million in April 2003, which was down 12.1% from last year's level. This marked the fifth consecutive month that net income tax collections have fallen from year-ago levels. Net income tax collections equal the gross income tax revenue collected from taxpayers less the amount of refunds paid to taxpayers. Most of the decline in collections in April was due to a 14.3% decrease in annual income tax payments, which fell to \$310 million from last year's level of \$362 million. In addition, the amount of income tax withheld from workers' earnings fell 3.7% in April. These declines can be attributed to recent decreases in employment, reduced capital gains and dividends, and the reduction in the income tax rate from 4.1% to 4.0% effective January 1, 2003. While income tax collections were down in April, they were not down as much as had been expected, and on a fiscal year-to-date basis are ahead of the estimates agreed to in January. As a result, the estimate of net income tax collections for FY 2002-03 has been revised up \$113 million.

Sales tax collections totaled \$534 million in April, representing a 3.1% decline from the year-ago level. Sales tax collections from motor vehicle transactions were up 10.8%, but this increase was more than offset by a 5.8% decline in sales tax collections from all other taxable retail transactions. On a fiscal year-to-date basis, sales tax collections are up only 0.4%. The estimate of sales tax collections for FY 2002-03 has been revised down \$113 million.

Use tax collections declined 18.1% in April to \$96 million. This steep decline followed a large increase of 24.6% in March. So far this fiscal year, use tax collections are down 7.5% from last year's level, which is well below the estimate adopted in January. As a result, the estimate for FY 2002-03 use tax revenue has been reduced \$78 million.

Single business tax collections totaled \$282 million, which was down only 0.3% from last year's level; however, on a fiscal year-to-date basis, single business tax collections are down 6.2%, which is running behind the January consensus estimate. As a result, the estimate for FY 2002-03 single business tax revenue has been revised down \$70 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for April 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the Senate Fiscal Agency's revised revenue estimates for FY 2002-03.

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MICHIGAN REVENUE UPDATE
APRIL 2003
(dollars in millions)

Type of Revenue	April Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$891.1	(7.5)%	\$3,970.1	(2.0)%	\$7,469.9	(1.0)%
Refunds	(374.8)	(0.3)	(1,116.9)	3.7	(\$1,493.8)	3.2
Net Income Tax	516.3	(12.1)	2,853.2	(4.1)	\$5,976.1	(2.0)
Sales Tax	533.5	(3.1)	3,114.3	0.4	6,491.1	0.8
Motor Vehicles	98.2	10.8	463.6	(6.6)	—	—
All Other Sales Tax	435.3	(5.8)	2,650.7	1.7	—	—
Use Tax	95.9	(18.1)	597.6	(7.5)	1,257.2	(3.8)
Tobacco Taxes	67.9	47.3	425.2	48.0	867.9	29.5
Single Business Tax	282.3	(0.3)	903.5	(6.2)	1,881.0	(5.2)
Insurance Tax	18.8	(2.6)	124.5	14.9	253.0	11.4
State Education Property Tax	145.0	(6.0)	869.9	0.5	2,123.9	34.1
Real Estate Transfer Tax	18.1	(2.7)	119.3	7.0	258.0	1.9
Estate/Inheritance Tax	6.4	(28.9)	59.4	(16.7)	103.8	(20.8)
Casino Gaming Tax	8.4	1.2	44.9	(2.6)	90.0	(2.1)
Oil & Gas Severance Tax	4.8	152.6	24.6	77.0	41.0	33.6
Total	\$1,697.4	(5.5)%	\$9,136.4	(0.6)%	\$19,343.0	2.8%
Gross Lottery Sales 4)	\$132.1	(29.2)%	\$972.3	(3.6)%	\$1,733.5	2.7%
Net to School Aid Fund 4)	\$44.4	(37.4)%	\$343.5	(6.7)%	\$ 613.0	(0.1)%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.

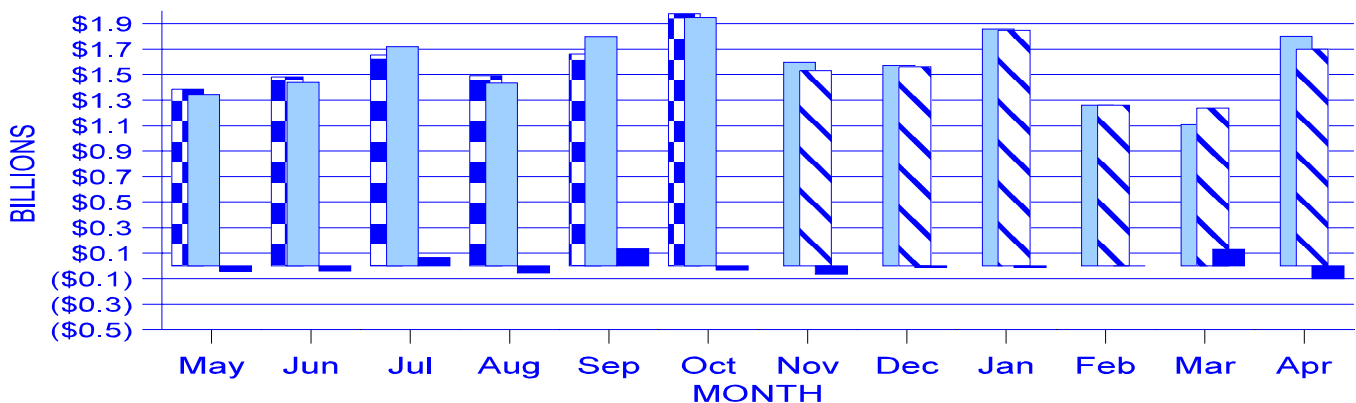
3) Senate Fiscal Agency's revised revenue estimates released May 8, 2003.

4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Actual Revenue Collections for Major State Taxes*

May 2001 to April 2003

CASH COLLECTIONS (Billions of Dollars)



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.